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GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE REGULATION
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
STANLEY "SKIP" PRUSS, DIRECTOR

KEN ROSS
COMMISSIONER

REQUEST FOR PROPOSAL

BID NUMBER: OFIR-05-09

Issue Date: March 10, 2009

Actuarial Services

The Office of Financial and Insurance Regulation (OFIR) is seeking to enter into a contract with an actuarial expert in personal automobile insurance rate-making issues.

The tentative start date is March 23, 2009 and the ending date is March 22, 2010.

SCOPE OF WORK/SERVICES

This is a request for proposal to provide highly technical independent actuarial advice, consultation and expert testimony relating to the regulation of personal automobile insurance rates in Michigan. In addition to services related to personal automobile ratemaking, the contractor must be able to provide advice and consultation for complex actuarial matters associated with OFIR's regulatory responsibilities under the Insurance Code.

Specific tasks include, but are not limited to:

- Advise and assist the OFIR in personal automobile insurance matters and actuarially sound principles, as needed and as assigned.
- Provide historical perspective relative to personal automobile insurance.
- Recommend rules, procedures, policies, and guidelines for carrying out insurance code provisions.
- Testify in person or by written submission in administrative or court hearings and assist in creating and explaining exhibits in connection with the testimony.
- Attend public meetings and administrative hearings to explain personal auto insurance matters.
- Serve as a technical consultant.
- Conduct special projects and related work as assigned by OFIR.

QUALIFICATIONS

The contractor shall have the following qualifications and experience:

- Over ten (10) years of actuarial experience in serving as an insurance regulator or working for insurance regulators.

- Extensive experience reviewing the pricing and actuarial forecast segments of personal automobile rate filings.
- Extensive experience consulting and independent evaluation of insurance rates.
- Extensive experience in consulting on insurance policy matters in rate-making, statistical collection, loss prevention, solvency monitoring, and residual market issues.
- Participation in committees and advisory groups with the National Association of Insurance Commissioners.
- Published reports and periodical writings in insurance issues.
- Highly knowledgeable of personal automobile rate making and have familiarity with operations of state government regulation.
- Extensive experience supporting regulatory entities on financial and rate-making reviews of personal automobile insurance carriers.
- Over 20 years experience with the insurance industry, including being engaged in analysis of major public policy issues relating to insurance (with an emphasis on property/casualty insurance), including actuarial matters and consumer issues.
- Experience in testifying before legislative and administrative hearings on insurance issues.
- A fellow in the Casualty Actuarial Society.
- A member of the American Academy of Actuaries.

COMPENSATION

1. Contractor shall be reimbursed for actual hours worked based on the flat hourly rate stated on the Pricing Sheet (Attachment A).
2. Contractor's expenses related to travel shall be reimbursed pursuant to the State of Michigan's Standardized Travel Regulations. Vendors can reference the Department of Management and Budget's website http://www.michigan.gov/dmb/0,1607,7-150-9141_13132---,00.html to review the regulations.

TERMS AND CONDITIONS

The vendor awarded this contract must agree to the mandatory Terms and Conditions below. Please review these Terms and Conditions, as they will be included in the contract that is awarded through this Request for Proposal.

- Purchase Order Terms and Conditions

Terms and conditions of purchase orders may be accessed at the Department of Management and Budget's website, link to http://www.michigan.gov/documents/itb_instructions_6924_7.pdf.

- Confidentiality and Remedies for Breach

1. All financial, statistical, personnel, technical and other data and information relating to the state's operation which are designated confidential by the state and made

- available to the contractor in order to carry out this contract, or which become available to the contractor in carrying out this contract, shall be protected by the contractor from unauthorized use and disclosure through the observance of the same or more effective procedural requirements as are applicable to the state. The identification of all such confidential data and information as well as the state's procedural requirements for protection of such data and information from unauthorized use and disclosure shall be provided by the state in writing to the contractor. If the methods and procedures employed by the contractor for the protection of the contractor's data and information are deemed by the state to be adequate for the protection of the state's confidential information, such methods and procedures may be used, with the written consent of the state, to carry out the intent of this section.
2. The contractor shall not be required under the provisions of this section to keep confidential, (1) Information generally available to the public, (2) information released by the state generally, or to the contractor without restriction, (3) information independently developed or acquired by the contractor or its personnel without reliance in any way on otherwise protected information of the state. Notwithstanding the foregoing restrictions, the contractor and its personnel may use and disclose any information which it is otherwise required by law to disclose, but in each case only after the state has been so notified, and has had the opportunity, if possible, to obtain reasonable protection for such information in connection with such disclosure.
 3. The contractor acknowledges that a breach of its confidentiality obligations as set forth above shall be considered a material breach of the contract. Furthermore the contractor acknowledges that in the event of such a breach the state shall be irreparably harmed. Accordingly, if a court should find that the contractor has breached or attempted to breach any such obligations, the contractor will not oppose the entry of an appropriate order restraining it from any further breaches or attempted or threatened breaches. This remedy shall be in addition to and not in limitation of any other remedy or damages provided by law.

▪ Liability Insurance

The Contractor must provide proof of the minimum levels of insurance coverage as indicated below. The insurance must protect the State from claims which may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether the services are performed by the Contractor, or by any subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain under this Contract.

All insurance coverage's provided relative to this Contract/Purchase Order are **PRIMARY** and **NON-CONTRIBUTING** to any comparable liability insurance (including self-insurances) carried by the State.

The insurance must be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by Contractor must have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if the ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract must be issued by companies that have been approved to do business in the State. See www.michigan.gov/dleg.

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State must be entitled to coverage to the extent of the higher limits.

The Contractor is required to pay for and provide the type and amount of insurance checked ☒ below:

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision must not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

- ☒ 1. Employers liability insurance with the following minimum limits:
 - \$100,000 each accident
 - \$100,000 each employee by disease
 - \$500,000 aggregate disease
- ☐ 2. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars (\$1,000,000.00) with a maximum deductible of fifty thousand dollars (\$50,000.00).
- ☐ 3. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which must apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.
- ☐ 4. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars (\$3,000,000.00) each occurrence and three million dollars (\$3,000,000.00) annual aggregate.

☐ 5. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of the office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to its replacement value, where the office space and its contents are under the care, custody and control of Contractor. The policy must cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State must be endorsed on the policy as a loss payee as its interests appear.

▪ Indemnification

General Indemnification

To the fullest extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents, from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:

1. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from (1) the product provided or (2) performance of the work, duties, responsibilities, actions or omissions of the Contractor or any of its subcontractors under this Contract.
2. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from a breach by the Contractor of any representation or warranty made by the Contractor in the Contract;
3. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or related to occurrences that the Contractor is required to insure against as provided for in this Contract;
4. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from the death or bodily injury of any person, or the damage, loss or destruction of any real or tangible personal property, in connection with the performance of services by the Contractor, by any of its subcontractors, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable; provided, however, that this indemnification obligation shall not apply to the extent, if any, that such death, bodily injury or property damage is caused solely by the negligence or reckless or intentional wrongful conduct of the State;

5. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents which results from an act or omission of the Contractor or any of its subcontractors in its or their capacity as an employer of a person.

Patent/Copyright Infringement Indemnification

To the fullest extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State, its employees and agents from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States. In addition, should the equipment, software, commodity, or service, or the operation thereof, become or in the Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor shall at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to the Contractor, (ii) replace or modify the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if such option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Indemnification Obligation Not Limited

In any and all claims against the State of Michigan, or any of its agents or employees, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract shall not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its subcontractors under worker's disability compensation acts, disability benefits acts, or other employee benefits acts. This indemnification clause is intended to be comprehensive. Any overlap in sub clauses, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other sub clause.

Continuation of Indemnification Obligation

The duty to indemnify will continue in full force and affect notwithstanding the expiration or early termination of the Contract with respect to any claims based on facts or conditions, which occurred prior to termination.

▪ **Term of the Contract**

The initial term of this contract will commence upon award and terminate one year from the award date. This contract may be extended at the option of the Department of Labor, Energy and Economic Growth (DELEG).

▪ **Budget Ceiling**

A budget ceiling of \$24,999 has been established to cover all services and expenses performed or incurred in the performance of this Contract. Due to the nature of the Services, the difficulty in estimating actual costs and the demand for Services, the Initial Term Budget ceiling may be increased if approved in writing by DELEG and the State Administrative Board. An increase of the budget ceiling shall not affect the hourly rates.

▪ **Electronic Funds Transfer**

Public Act 533 of 2004 requires that payments under this contract be processed by electronic funds transfer (EFT). Contractor is required to register to receive payments by EFT at the Contract & Payment Express Website (www.cpexpress.state.mi.us).

▪ **Prompt Payment**

Public Act 279 of 1984 states that the state shall take all steps necessary to assure that payment for goods or services, is mailed within 45 days after receipt of the goods or services, a complete invoice for goods or services, or a complete contract for goods or services, whichever is later.

BIDDING PROCESS

▪ **Proposal Format**

Those wishing to be considered shall submit a proposal that includes:

3. A description of past performance and related work, including at least three (3) references;
4. Qualifications and resume;
5. Pricing sheet with flat hourly fee.

▪ **Proposal Pricing**

The contract awarded from this RFP will be based on the flat hourly rate stated in the Pricing Sheet (Attachment A). .

▪ **Proposal Submission**

All questions shall be submitted no later than 3:00 p.m., Thursday, March 12, 2009. All questions shall be submitted in writing via email to the RFP contact. The answers to all questions will be posted to the Office of Financial and Insurance Regulation, "Doing Business With OFIR" web site (<http://www.michigan.gov/dleg/0,1607,7-154-10555-176304--,00.html>), where the RFP was posted.

RFP Contact: Karen Sage

RFP email address: sagek@michigan.gov

▪ **Proposal Instructions**

Due Date: The due date for the receipt of proposals is March 17, 2009 at 5:00 p.m.

Originals and Copies: Submit one (1) original and two (2) copies of a proposal.

Delivery of Proposal: Addresses for the delivery of proposals are as follows:

DELIVERY VIA HAND DELIVERY OR COMMERCIAL OVERNIGHT SERVICE:

Karen Sage

Office of Financial and Insurance Regulation

611 West Ottawa Street, 3rd Floor-Ottawa Building

Lansing, MI 48933

DELIVERY VIA U.S. POSTAL SERVICE:

Karen Sage

Office of Financial and Insurance Regulation

P.O. Box 30220

Lansing, MI 48909-7720

DELIVERY VIA E-MAIL: sagek@michigan.gov

▪ **Selection Criteria**

Each proposal received will be evaluated on the following criteria:

Criteria	Points
Professional Qualifications/Experience	75
Past Performance and References	10
Price	15
Total	100

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Attachment A, Price Proposal

Pricing

Bidder shall provide the hourly rate to be charged for all services. This hourly rate shall remain firm throughout the contract period.

\$_____ rate per hour